

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1627-01
Bill No.: HB 646
Subject: Health Care; Insurance - Medical; Insurance Department
Type: Original
Date: February 12, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$964,567 to \$10,787,312)	(\$964,567 to \$15,216,408)	(\$964,567 to \$17,430,594)
County Foreign Insurance	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$964,567 TO \$10,787,312)	(\$964,567 TO \$15,216,408)	(\$964,567 TO \$17,430,594)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(\$964,567 TO \$10,787,312)	(\$964,567 TO \$15,216,408)	(\$964,567 TO \$17,430,594)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health**, the **Department of Transportation**, the **Department of Public Safety - Missouri State Highway Patrol**, the **Missouri Consolidated Health Care Plan**, and the **Department of Conservation** assume this proposal would not fiscally impact their agencies.

Department of Social Services - Division of Medical Services (DMS) officials state the proposal would not have a fiscal impact on DMS. DMS assumes that the proposal would apply to health insurance coverage offered through a group health plan which is defined as an employee welfare benefit plan as defined in ERISA. DMS states these provisions would apply to those health carriers that offering coverage through a group health plan. DMS states the MC+ program is not defined as this type of a program so it would not apply to the MC+ program.

Officials from the Department of Insurance (INS) stated per officials from Missouri Health Insurance Program (MHIP), assessments for 1999 totaled \$3,215,630 for 761 pool members (\$4,225 per enrollee) at the 200% rate. INS stated the increased assessment needed to cover these pool members at the 135% rate is estimated to be \$2,535 per enrollee. New enrollees at 135% would be at \$6,760 and is estimated to be \$6,337 per enrollee at the 150% rate. INS estimates that the pool would not exceed 10,000 enrollees in any given year. For calculating purposes, INS assumes that 50% of new enrollees would be at the 135% rate and 50% would be at the 150% rate. INS has phased in enrollment over three years at 3,000 per year. Turnover rate is estimated at 50%.

Year 1: Additional cost of existing pool members $761 \times \$2,535 = \$1,929,135$. Cost for 1,500 new enrollees at \$6,760 (135% rate) = \$10,140,000. Cost for 1,500 new enrollees at \$6,337 (150% rate) = \$9,505,500. Total costs for year one - \$21,574,625.

Year 2: Reduce year 1 costs by 50% (\$6,034,567 for 135% enrollees and \$4,752,750 for 150% enrollees). Cost for 1,500 new enrollees at \$6,760 (135% rate) = \$10,140,000. Cost for 1,500 new enrollees at \$6,337 (150% rate) = \$9,505,500. Total costs for year 2 - \$30,432,817.

Year 3: Reduce year 2 costs by 50% (\$8,087,283 for 135% enrollees and \$7,129,125 for 150% enrollees). Cost for 1,500 new enrollees at \$6,760 (135% rate) = \$10,140,000. Cost for 1,500 new enrollees at \$6,337 (150% rate) = \$9,505,500. Total costs for year 3 - \$34,861,908.

INS estimated a range with the minimum based on additional assessment of the current enrollees in the pool and the maximum of \$34,861,908. Typical pool membership consists of individuals with medical conditions and very high costs of care. At the 135% and 150% rates, pool

ASSUMPTION (continued)

membership rates would become more competitive with the marketplace and increased pool membership would likely reduce the cost per member as "less sick" individuals would share the cost of coverage for the more expensive members. INS cannot estimate the result of a healthier pool, but reduction in cost could be up to 50% or a high range of 18 million vs 35 million.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

<u>Loss - Department of Insurance</u>			
Reduction in premium tax	<u>(\$964,567 to \$10,787,312)</u>	<u>(\$964,567 to \$15,216,408)</u>	<u>(\$964,567 to \$17,430,594)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$964,567 TO \$10,787,312)</u>	<u>(\$964,567 TO \$15,216,408)</u>	<u>(\$964,567 TO \$17,430,594)</u>
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**COUNTY FOREIGN INSURANCE
FUND**

<u>Savings - Department of Insurance</u>			
Reduction in premium tax distributions	\$964,567 to \$10,787,312	\$964,567 to \$15,216,408	\$964,567 to \$17,430,594

<u>Loss - Department of Insurance</u>			
Reduction in premium tax	<u>(\$964,567 to \$10,787,312)</u>	<u>(\$964,567 to \$15,216,408)</u>	<u>(\$964,567 to \$17,430,594)</u>

ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2002
 (10 Mo.)

FY 2003

FY 2004

LOCAL POLITICAL SUBDIVISIONS

Loss - Local Political Subdivisions

Reduction in premium tax distributions	<u>(\$964,567 to</u> <u>\$10,787,312)</u>	<u>(\$964,567 to</u> <u>\$15,216,408)</u>	<u>(\$964,567 to</u> <u>\$17,430,594)</u>
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**ESTIMATED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS**

<u>(\$964,567 TO</u> <u>\$10,787,312)</u>	<u>(\$964,567 TO</u> <u>\$15,216,408)</u>	<u>(\$964,567 TO</u> <u>\$17,430,594)</u>
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FISCAL IMPACT - Small Business

Small businesses could expect to be fiscally impacted to the extent that they may incur increased health insurance premiums as a result of the requirements of this proposal.

DESCRIPTION

This proposal would make changes to statutes relating to group health insurance, the health insurance pool, and the Small Employer Health Insurance Availability Act. In its main provisions, the proposal would: (1) define related terms including, preexisting condition exclusions and waiting period; (2) prohibit group health insurance issuers from establishing enrollment eligibility requirements based on health status-related factors, including medical history and genetic information; (3) prohibit health insurance issuers offering group health insurance coverage from requiring any individual, as a condition of enrollment, to pay a premium or other contribution that would be greater than that made by other similarly situated individuals enrolled in the plan on the basis of health status-related factors; (4) require health insurance issuers offering large group health plan coverage to renew or continue coverage in force at the option of the plan sponsor; (5) outline conditions under which health insurance issuers could nonrenew or discontinue group health plan coverage, particular types of large group health insurance coverage, and all large group health insurance coverage; (6) permit health insurance issuers to modify coverage for a large group health plan at the time of coverage renewal; (7) change the definition of the term "placement" as it pertains to coverage of adopted children. In current law, "placement" means that the child is in the physical custody of the adoptive parent. The proposal would change it to mean the assumption and retention by the insured of a legal obligation for total or partial support of a child in anticipation of adoption; (8) add to the defined terms relating to the health insurance pool the terms "church plan" and "federal defined eligible

DESCRIPTION (continued)

individual"; (9) designate as eligible for pool coverage individuals who are residents of Missouri and who provide evidence of (a) refusal by one insurer to issue substantially similar insurance for health reasons or (b) refusal by an insurer to issue insurance except at a rate exceeding 150% of the standard risk rate; (10) make eligible for pool coverage persons who terminated coverage in the pool less than 12 months prior and persons on whose behalf the pool has paid out \$1 million in benefits. Under current law, these persons are ineligible for pool coverage; (11) allow persons who do not maintain residency in Missouri to be terminated at the end of the policy period; (12) change the percentage limit on pool rates from 200% of rates applicable to individual standard risks to 135% for federally defined eligible individuals and 150% for all other individuals covered under the pool; (13) change the time within which a person has to apply for pool coverage in order to have a waiver of preexisting condition exclusions to the extent to which similar exclusions have been satisfied under prior terminated health insurance coverage from 60 days to 63 days; (14) add to definitions for the Small Employer Health Insurance Availability Act the terms "church plan," "creditable coverage," "excepted benefits," "government plan," "group health plan," "health status-related factor," "medical care," "network plan," "plan sponsor," "professional association," and "professional association plan"; (15) modify the definition of the term "small employer" as it pertains to a group health plan to include political subdivisions. A small employer employed an average of 2 to 50 eligible employees on business days during the preceding calendar year and employs at least 2 employees on the first day of the plan year. Provisions for employers not in existence throughout the preceding calendar year are included; (16) modify conditions under which small employer health benefit plans would not be renewable. Current law allows nonrenewal based on nonpayment of the required premiums, fraud or misrepresentation of the small employer or the insureds, and repeated misuse of a provider network provision. The proposal would repeal these conditions and would allow nonrenewal when the plan sponsor fails to pay a premium according to the terms of the plan or the health carrier has not received a timely premium payment, when the plan sponsor performs an act or practice constituting fraud or intentionally misrepresents material facts under the terms of coverage, and when no enrollee in the network plan lives or works in the service area of the health insurance issuer; (17) list conditions under which small employer carriers could discontinue a particular type of small group health benefit plan and discontinue all small employer health insurance coverage; (18) repeal the requirement for small employer carriers electing to nonrenew all of its small employer health plans in the state to provide certain types of notice; (19) allow small employer carriers offering coverage through a network plan not to offer coverage to an eligible person who no longer lives or works in the service area or to a small employer who no longer has an enrollee in the plan who lives or works in the service area; (20) require small employer carriers to offer all health benefit plans they actively market to small employers in the state. Current law requires small employer carriers to offer at least 2 health benefit plans: a basic and a standard health benefit plan; (21) change the way small employer health benefit plans could define preexisting conditions. The proposal would specify that a pregnancy existing on the effective date of coverage is not considered a preexisting condition;

DESCRIPTION (continued)

(22) change the requirement that creditable coverage be continuous to a date not less than 63 days prior to application for new coverage. Current law is 30 days prior to the effective date of new coverage; and (23) establish cases where small employer carriers would be prohibited from imposing any preexisting condition exclusion.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Mental Health
Department of Social Services
Department of Insurance
Department of Conservation
Department of Public Safety
Missouri State Highway Patrol
Missouri Consolidated Health Care Plan



Jeanne Jarrett, CPA
Director

February 12, 2001